

NOTICE TO STATE WATER PROJECT CONTRACTORS

Number: 12-06

Date: MAR 12 2012

Subject: Water Systems Revenue Bond, Series AJ

From: Mark W. Cowin

Director, DEPARTMENT OF WATER RESOURCES

Department of Water Resources

Central Valley Project Water System Revenue Bonds, Series AJ

Par Amount: Series AJ \$216,930,000

Closing Date: October 13, 2011

Summary of Financing Results

The Department of Water Resources (DWR) issued Bond Series AJ to refund \$155.2 million of bonds outstanding for Series X, Y, Z, AA, AC, and AD. DWR delivered Series AJ on October 13, 2011 pursuant to a purchase agreement among DWR, the State Treasurer and the Underwriters executed on October 6, 2011. The net present value savings achieved was \$10.2 million, or 6.6 percent. DWR entered the municipal market at a time of historically low interest rates and was able to take advantage of low borrowing costs. The Series AJ Bonds also funded the takeout of approximately \$69.3 million of commercial paper that had been issued to fund State Water Projects. A summary of the financing results is provided in Table 1, attached.

Summary of Cash Flow Savings

The significant savings DWR achieved on the financing will provide cash flow relief over the next 19 years. Table 2, attached, is a summary of yearly savings to DWR as a result of refunding of the Bond Series X, Y, Z, AA, AC and AD by the new Series AJ.

If you have any questions, please contact Perla Netto-Brown, Chief of DWR's Division of Fiscal Services at (916) 653-9836.

Table 1: Summary of Financing Results

Par Amount Refunded	\$ 155,230,000
Average Coupon of Refunded Bonds	5.08%
Average Life of Refunded Bonds (years)	7.16
CP Refunded (Last Maturity in year 2035)	\$ 69,322,413
Net Present Value Savings	\$ 10,245,786
Percentage Savings of Refunded bonds	6.60%
All-in True Interest Cost (TIC)	3.13%

Table 2: Summary of Savings Results Series AJ

	Year	Annual Savings	
	12/1/11	\$	392,254
	12/1/12		959,591
	12/1/13		979,591
	12/1/14		989,816
	12/1/15		999,585
	12/1/16		993,973
	12/1/17		1,005,785
	12/1/18		995,991
	12/1/19		983,954
	12/1/20		782,134
	12/1/21		777,384
	12/1/22		697,184
	12/1/23		776,577
	12/1/24		712,250
	12/1/25		650,000
	12/1/26		24,250
	12/1/27		23,250
	12/1/28		22,250
	12/1/29		26,250
Total Savings		<u>s</u>	12,792,069
Net Present Value Savings		S	10,245,786